Kevin Colores, District General Manager

April 19, 2012

Put Your Energy and Savings to Work with ESPC

Honeywell

Today's Agenda

Introduction

Trends and Challenges

Performance Contracting

Program Development

Implementation Philosophy

Additional Considerations

Question and Answer

Growing Trends and Challenges

Rising operating costs

Escalating energy costs

Reduced funding for investment in new infrastructure

Creative funding options needed

Increased deferred maintenance concerns

Reactive vs. proactive maintenance

Aging infrastructure and asset base

Energy security

Regulatory concerns

Environmental policies

Your Top 3 Challenges and Concerns

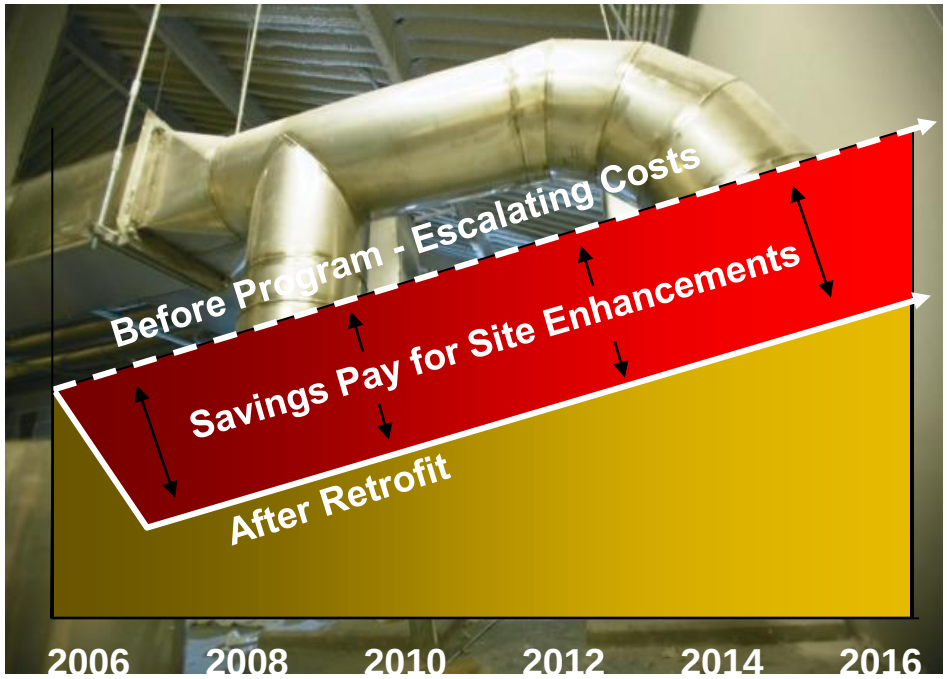
1. **Escalating and volatile energy costs**
2. **Optimization of facility assets**
3. **Reliability of energy supply**

These are examples, others may be funding limitations, cost of capital, environmental and/or regulatory policies, etc.

An Effective Solution to Your Challenges

*How can **Performance Based Contracting** be important to you?*

A comprehensive **"self-funded" program** where the equipment and technology that Honeywell installs to modernize buildings and facilities is **paid by guaranteed energy and operational savings.**



An Effective Solution to Your Challenges

Performance Contracting: A solution to your short-term & long-term challenges

Fix Existing Problems

Unplanned repairs
Building damage
Life safety issues
Security challenges

Capital Improvements

New facility
Capital equipment
Facility/equipment renewal

Budgeting Process

Unplanned / short-term
immediate resolution required

Planned / long-term
capital budgeted expenditures

Multi-year process & Honeywell assumes the risk

Performance Based Contracting & Improvements
Outside of Existing Budgeting Process

Guaranteed savings

Improve efficiency Enhance productivity Manage asset renewal

An Effective Solution to Your Challenges

Additional Benefits to Performance Contracting

Fix Existing Problems

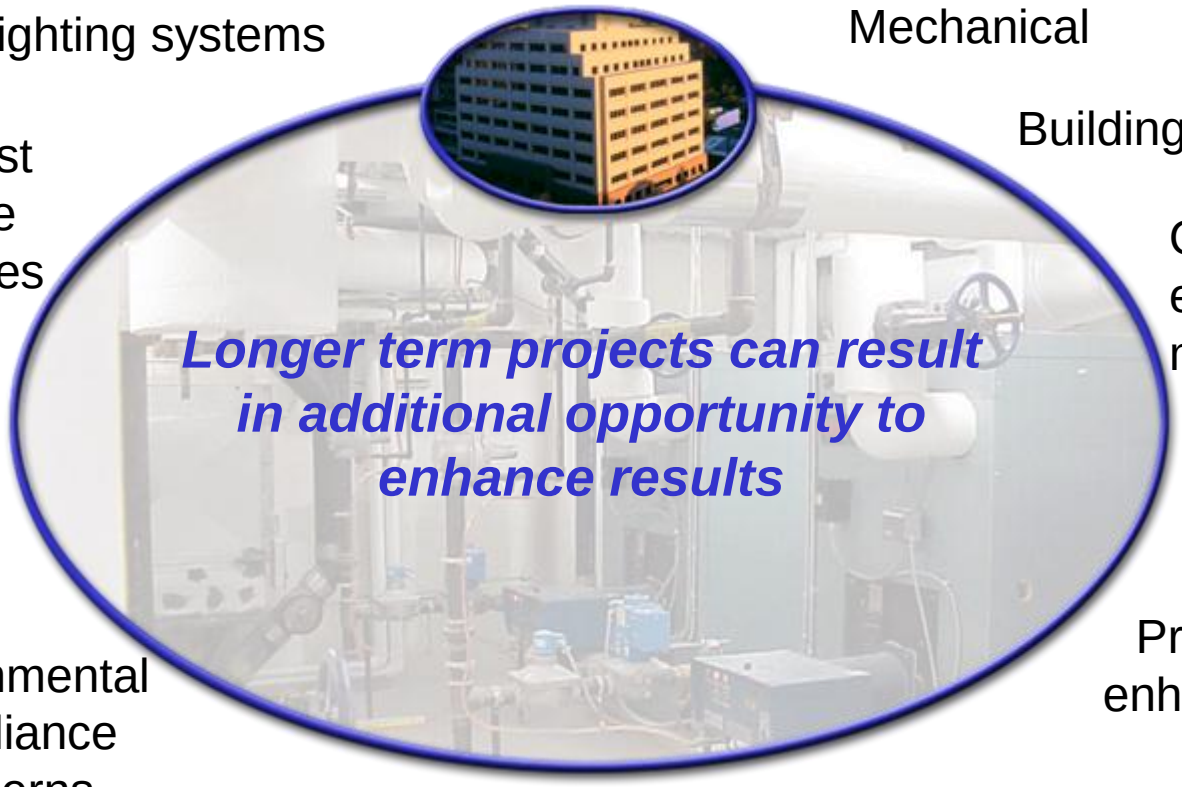
Capital Improvements

- Proactively address facility upgrades
- Create a sustainable savings program
- Address environmental stewardship goals
- Enhance facility conditions for staff and visitors
- Free up dollars for alternate projects
- Address and capitalize on government energy mandates

Typical Payback Determination

Payback Type	Fund longer term ECMs	Mid-range	Life cycle ECMs
	Less than 5 years	**5 to 7 years**	**Greater than 7 years**
Energy Conservation Measure (ECM) Examples	Lighting Start/Stop Controls Water Conservation Steam Distribution Improvements VFD's	Central Plant Controls Chiller Plant Retrofits Motors DDC Controls Windows	HVAC Retrofits Chiller Replacement Geothermal HP Solar Heating Systems Steam Plant Conversion Photovoltaic (Solar) Biomass co-generation

Typical Solutions



Lighting systems

Mechanical

Capital cost avoidance opportunities

Building envelope

Ongoing efficiency and maintenance

Longer term projects can result in additional opportunity to enhance results

Ventilation and air quality improvements

Infrastructure improvements

Productivity enhancements

Environmental compliance concerns

Enhanced awareness programs

Security

Client specific considerations

How the Process Works

Performance Contract

- Define roles of both parties
- Establish baseline measurement performance, savings measurement and verification plan
- Annual savings reconciliation process
- Designed to guarantee “self funding” mechanism through entire program period

Program Financing

- Arrange most suitable approach
- Internal vs. external options
- Strategize various cash-flow models, consider existing operating and capital budgets
- Incorporate the impact of available grants, utility rebates, and construction period savings

Question & Answers

Thank You!